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Department of Defense has thus far been prevented from beginning settlement of Brandaris claims because of objections raised thereto by Congress. When the Executive Branch sought a supplemental appropriation for this purpose in April 1963, the Senate Appropriations Committee questioned whether Congress, in enacting the Foreign Claims Act, intended that claims of the Brandaris type were properly payable under the Act, and stated that it was bringing the matter to the attention of Congressional Appropriation Committees. Further, the Senate Committee on Appropriation, in its report of the Dept of Defense Appropriation Act, 1964 (Senate Report No. 302 dated September 17, 1963) stated on page 34 as follows:

"Claims, Defense: The committee recommends an appropriation of \$19 million. This is the same amount as allowed by the House and is the same as the budget estimate. In so doing the committee reiterates the action which it took on the supplemental appropriation act for 1963. None of the

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funds contained in this appropriation have been recommended to pay claims under the provisions of the Foreign Claims Act (10 U.S.C. 2734) in those instances where the party responsible for the claim was insured by the bankrupt Brandaris Insurance Co."

With this legislative history, DOD does not feel it can proceed to pay Brandaris claims, even using Deutschmark available balances, and the Senate Appropriations Committee has been so advised. However, decision this matter will not be made final until discussion with appropriate Congressional leaders by DOD representatives. Because of pending Civil Rights legislation, it may not be possible to resolve this matter in immediate future.

In the meantime, it is suggested that you inform the German government that DOD has run into difficulties in securing authority from the Congress to pay the Brandaris claims; that DOD is still trying to secure Congressional consent, and that a final decision may not be possible until resolution of Civil Rights legislation. German officials should be assured that the U.S. Executive Branch is doing all it can to expedite this matter.

END.

APR 29 8 58 AM '64
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